

The complaint

Mr B complains that Bank of Scotland plc trading as Birmingham Midshires said he could cancel his new fixed interest rate deal even after it had been applied. But when he asked to change his rate, BM said he'd have to pay higher interest for a month.

What happened

Mr B said that the fixed interest rate on his residential, interest-only mortgage with BM was coming to an end, so he applied for a new fixed interest rate of 5.18% for two years, to start from 1 May 2025. Mr B said he was given some wrong information about the cooling-off period on this mortgage, so he believed he could still cancel the product after it had started, and take out a different deal instead.

Mr B noticed in early May that BM's interest rates had dropped, so on 14 May he contacted BM and asked to change to the new rate, of 4.95% for two years. Initially, BM said that wouldn't be possible, but when Mr B complained, BM accepted it had given him some incorrect information. So it said it would let him come out of his existing fixed interest rate deal without paying the Early Repayment Charge which applied. And it would put the new interest rate deal he wanted on his mortgage. But BM said it could only do that from 1 June 2025, so Mr B would have to pay a higher rate of interest, the Standard Variable Rate ("SVR") which applied once his old fixed rate ended, for the month of May.

Mr B didn't want that. He said this would mean he'd have to make a payment of about £300 now to gain around £400 over two years, and he wasn't prepared to do that.

BM said if Mr B wanted to take up its offer, then there would be a shortfall of £285.39 for May, but it didn't actually need Mr B to make a payment to cover this cost now. If he didn't want to pay now, it could add that extra to his mortgage. BM initially said it wanted Mr B's broker to apply for the new rate, but then said it could resolve this for Mr B without his broker having to be involved. And BM said it had paid Mr B £150 to say sorry for its mistake.

Mr B said instead of its proposed resolution, BM should work out the difference between the monthly payments on the rate he was on now, and the monthly payments he would have been making on the new rate, over the two years that this rate was due to run. He thought BM should then apply this as a credit to his mortgage. And he thought BM should pay much more compensation for the stress of this experience.

BM wouldn't do that. It made an offer to Mr B, and said this was only open to him until 27 May 2025. Mr B referred this complaint to our service, and asked us to look into things. When this case came to our service, BM told us that the rate Mr B wanted now, of 4.95%, was only available from 1 May 2025. It does take some time to make the changes needed to put a new rate onto someone's mortgage, this can't be done the same day that a new rate is made available. So BM said none of its customers could have the new rate of 4.95% starting from 1 May 2025.

BM also said when someone applies to it for a new mortgage rate, the earliest that rate can begin is the start of the next month. So here, it could put this rate on for Mr B from 1 June,

which is the earliest any of its customers could possibly have accessed this rate. But because that would always have meant that Mr B would pay the SVR for one month, BM wouldn't waive that.

Our investigator didn't think this complaint should be upheld. That's not because BM hadn't made a mistake here, but because she thought BM's offer was enough to make up for what had gone wrong.

Our investigator thought that if Mr B had been told about the correct cooling off period, he would have called within the time when he could cancel, as she understood he had realised the rates had dropped around 9 May. She thought he could then have been given the new rate, but this would always have started on 1 June. She said it wasn't uncommon or unreasonable for a new rate to begin from the first day of the following month.

So our investigator thought that if Mr B had received the correct information, he would have likely requested for the new rate, cancelled the rate he'd fixed earlier, and paid the SVR for May, before the new rate started in June. She said it was for Mr B and his broker to work out if it would be worth him paying the SVR for a month, to change to the new, lower rate.

Our investigator said BM had offered to put Mr B in this position, so she thought that was fair. She thought that what Mr B wanted, for BM to keep him on his current rate but refund him the difference between that and the lower rate, would effectively put him in a better position than he would've been in had BM's error not occurred. So she said this wouldn't fairly put Mr B back in the position he would be in but for BM's error.

She didn't think BM had to do more than it had offered.

Mr B disagreed. He said we were siding with the business. He also said BM had told him it would refund the difference, then changed its mind. He didn't think it was fair that a rate could only come into effect from the following month onwards. Mr B said that BM had said he had 28 days, and then didn't honour that, but our investigator said that she couldn't ask BM to honour incorrect information, and BM's offer did provide a fair resolution.

Because no agreement was reached, this case came to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it, but not quite in the way Mr B had requested. This is what I said then:

Before I start this provisional decision, I'd like to acknowledge that Mr B asked to speak to me before I wrote to him. I haven't spoken to Mr B, that's for two reasons. Firstly, it does appear to me that I have sufficient information to reach a decision in this case. But secondly, and more importantly, I have reached a slightly different conclusion to our investigator, and I've reached that view for different reasons than those given by our investigator. I think that Mr B should be fully sighted on my reasoning, before having a chance to respond to me. So I will set down my thinking here, in writing, and both Mr B and BM can then respond, in writing, before my decision is finalised.

I'd like to start by looking at what should have happened here. Mr B spoke to BM on 8 April, and said he was told that he could cancel his new mortgage rate in the first 28 days. What Mr B should have been told then, is what was set out in the letter BM sent to him on 9 April. That letter said this –

Changing your mind

Please call us straight away if you want to cancel. And you must let us know you want to cancel within 14 calendar days of the date of this letter, or before 1st May 2025, whichever comes last.

If we've already applied your new rate, we'll put you back onto your old rate. If your old rate has ended, or is ending soon, you'll move to the tracker or variable rate that applies.

There are two things I have to take into account here, as a result of this letter.

The first is that, although Mr B was given incorrect information on a call on 8 April, BM then sent him a letter which contained the right information. So its mistake had been corrected before Mr B's new rate started.

The second is what Mr B could have done, if he'd been given the right information. In her view, our investigator said if Mr B had been given correct information, he would have called BM earlier in May, and could have cancelled his new rate then. But that's not right. We know the rates only changed on 1 May. And, looking at the correct information in the letter Mr B was sent on 9 April, we also know Mr B was too late, by 1 May, to change his rate.

Our investigator didn't think it would be fair to make BM honour the mistaken information it had given Mr B. She said that would put Mr B in a better position than he would have been in, if the mistake hadn't been made. But that is, in fact, what BM has offered Mr B. It has offered to put him in the position he would have been in, if he had still been in time to cancel his new mortgage deal on 15 May 2025.

Mr B said he wanted BM to recognise its mistake, and also to recognise that he had been a loyal customer for many years, when it sought to resolve this complaint. I think that is what it has done. It has offered to cancel the existing rate on Mr B's mortgage, and put him back onto the SVR for May. It has then offered to put him onto a rate which was only available from 1 May 2025, even though Mr B was already too late by then to cancel his rate.

I think this offer does reflect the impact of BM's mistake on Mr B, and it provides part of a fair and reasonable outcome to this complaint. So, if this decision is confirmed, and Mr B then accepts it, I will ask him to notify BM within two weeks of the date of my decision, whether he wants it to cancel the rate of 5.18% which was applied to his mortgage from 1 May 2025, and put the rate of 4.95% onto his mortgage with effect from 1 June 2025 instead.

If Mr B wants BM to cancel the rate that started on 1 May 2025 now, and apply a new rate of 4.95% for two years from 1 June instead, he can also ask BM to use any overpayment which results from this reworking of his mortgage, towards the higher payment he would owe for May 2025.

And Mr B can then decide whether he wants to make a cash payment now to cover any remaining money due for his May monthly mortgage payment. If he doesn't make that payment within a month of BM notifying him of the amount due, then BM may add this amount to his mortgage.

My role here is to determine this complaint by reference to what is, in my opinion, fair and reasonable outcome in all the circumstances of the case. And although I do think

that, at core, the offer BM made was part of providing a fair and reasonable outcome to this complaint, there were some things BM also did, which made this offer rather less attractive to Mr B. So I think BM should do a little more, in addition to what it has offered.

I don't think BM should have told Mr B he'd need to get his broker involved to resolve this. I think it should simply have offered to action this for him. I also have doubts as to whether BM should have made its offer subject to such a very tight deadline. Its letter of 21 May 2025 says that Mr B must accept its offer by 27 May, if he wants to cancel his existing rate.

To reflect these points, I think BM should pay a little more compensation here. It should pay an additional £100 in compensation now. Mr B can ask BM to use this payment of compensation to reduce the debt on his mortgage, if he prefers.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

BM said it agreed with my provisional decision to offer the option to cancel the fixed rate of 5.18% currently applicable to Mr B's mortgage and for the fixed rate of 4.95% to be backdated on the account to 1 June 2025. And Mr B could then choose for any overpayments to be offset against the underpayment that would result from cancelling the fixed rate of 5.18%. BM said it would also pay £100 in compensation for distress and inconvenience.

BM said it appreciated my comments about the tight deadlines it gave when it offered a resolution to Mr B, and the difficulties of getting a broker involved in actioning that. It said this wasn't intended to make it difficult for Mr B to complete the transfer. BM said it wanted, if possible, to make sure Mr B received appropriate advice, scripting about the product, a full offer document and terms and conditions, meaning he would be fully aware of the terms and conditions applicable to the alternate product. BM said a manual amendment to the account as part of its proposed complaint resolution may not have provided Mr B with all the information he required to make an informed decision about his best option.

But BM said that in the circumstances of this case, and particularly the short opportunity to turn the revised product transfer around, it could see that this would have caused Mr B unnecessary distress and inconvenience. So it was happy to agree to my proposed resolution, and said it hoped Mr B would also be happy to agree to this.

Mr B didn't agree. He said he'd had a detailed conversation with one of our staff members, and he asked again to speak to me, because he said he wanted to say the same things to me. I'd like to reassure Mr B that I have listened carefully and repeatedly to a recording of the call he made to our service, so I have taken his views fully into account in reaching my conclusions here.

I'll set down here briefly the key points Mr B made on that call, before I respond to these. Mr B said he had overall been very happy with BM. But he said post-pandemic, BM was very slow in changing its interest rates, and only did so in very small increments. Mr B said he had needed to refix his mortgage from 1 May, and although he was anticipating a rate reduction at the next Bank of England meeting, that wouldn't happen until 8 May. So he said he'd rung BM about this. It had said this wasn't a problem, as he had 28 days to change the

deal he'd taken. Mr B then took out a new fixed interest rate deal, anticipating he could change this in future.

Mr B said the Bank of England met, and BM then changed the rate. He said BM took quite some time to do this, so it went over 14 days. And when Mr B then wanted to change his mortgage deal, his broker said he would be too late to change the interest rate. But Mr B said BM had told him he had 28 days, so he spoke to BM again. Mr B said BM at first denied making this mistake, but he'd been able to pinpoint the call. So BM reviewed this call, and accepted it had made a mistake.

Mr B said BM told him this had to be treated as a complaint. Mr B said although all he'd wanted was for BM to put him back to where he would have been based on its advice over the phone, BM then came up with a really imaginative scheme instead. Mr B said this was why he'd asked us to look into things, because BM would let him change his mortgage interest rate from June, but insisted his mortgage would need to revert to the SVR for May. Or, if he didn't accept that, it would give him £150.

Mr B said having to pay the SVR for a month before the better rate would kick in, meant the change wasn't worth making. He said BM had paid him £150 although he hadn't accepted this. He said he'd asked us to put him back into the situation that he should have been in. He said the complaint handler at BM was a crook, and our service couldn't see it. He said he would have accepted, at the complaint handler stage, a payment of £150 in compensation and £500 credited to his mortgage, but having been put to the trouble of complaining to our service, he now wanted more. But he felt I'd given him nothing.

Mr B said he'd wanted to say this directly to me. He said he was very unhappy, as he felt all he wanted was what BM initially agreed to. Mr B said his objection was that BM planned to remove the previous rate, put him on the SVR for a month, and then put him on the new, lower rate that he wanted. But he said I'd backed BM. Mr B said he wanted an honest result, because I'd judged things wrong. And he wouldn't use our service in future, unless I changed my mind and restored his faith in the service.

When this case came to me, I understood that Mr B was relying on a conversation that he'd had with BM, and BM accepted it had made a mistake in that conversation. But because BM had already accepted this mistake happened, I hadn't listened to the call itself.

Given Mr B's response to my provisional decision, I requested that call recording, and I've also listened to that carefully.

On this call, Mr B said he was concerned about having to fix a new rate before the Bank of England met, when he anticipated that rates would drop. And I can hear BM clearly advised Mr B, on 8 April, that he would have a 28 day cooling off period once he'd taken out the rate. The agent told Mr B this 28 day cooling off period only started when his new rate started, on 1 May.

That was a mistake. BM doesn't normally do that. As its later letter set out, it won't let customers simply cancel a rate once it has started. But in this case BM has honoured what its agent mistakenly said, because that's what it told Mr B it would do.

Mr B's objection is that BM is asking him to pay the SVR for May. He says this is just an imaginative scheme, that the complaint handler came up with after Mr B had complained. But it's not. Having listened to the call, this is what BM said, on that call, that it would do for him.

When the call handler said Mr B would be able to change his rate, during May, once he knew what new rates were available, that call handler also explained how he thought this would work. He said this about how Mr B could cancel the rate he was about to take up – *“you’ve pretty much got that whole month of May once its started to get it changed over. If a better deal does come out and it’s going to be worth you just cancelling it and having the variable rate for May, then starting a new deal in June, yes, that’s absolutely fine.”*

So I have been able to hear BM told Mr B that if he booked a deal before the end of April, and changed his mind in May, then he would be able to cancel during the first 28 days in May. But importantly, BM also said that if Mr B wanted to cancel the rate which had started on 1 May, he would need to pay the SVR for May, and start a new rate from June instead.

That means what BM at first offered to do, and what my decision now formalises, did honour its mistaken offer to Mr B. So that means I still don’t think this complaint should be upheld in the way Mr B argues for.

For the reasons set out above, I haven’t changed my mind. I’ll now make the decision I originally proposed.

My final decision

My final decision is that Bank of Scotland plc trading as Birmingham Midshires must do the following –

- IF Mr B notifies it within two weeks of the date of my final decision that he wishes to change his existing rate and wishes to use any resulting overpayment in part payment, Bank of Scotland plc trading as Birmingham Midshires must then cancel the rate of 5.18% which was applied to his mortgage from 1 May 2025, and put the rate of 4.95% onto his mortgage with effect from 1 June 2025 instead. And once it reworks his mortgage, Bank of Scotland plc trading as Birmingham Midshires must use any resulting overpayment towards Mr B’s May 2025 payment. Bank of Scotland plc trading as Birmingham Midshires must then provide Mr B with any outstanding amount due for his May 2025 mortgage payment, and if Mr B doesn’t make that payment within a month of Bank of Scotland plc trading as Birmingham Midshires notifying him of the amount due, then it may add this amount to his mortgage.
- OR, IF Mr B notifies it within two weeks of the date of my final decision that he wishes to change his existing rate but does not wish to use any resulting overpayment in part payment of his May 2025 mortgage payment, then Bank of Scotland plc trading as Birmingham Midshires must return any overpayment to Mr B. It must also provide Mr B with the outstanding amount due for his May 2025 mortgage payment, and if Mr B doesn’t make that payment within a month of Bank of Scotland plc trading as Birmingham Midshires notifying him of the amount due, then it may add this amount to his mortgage.
- AND, whether or not Mr B chooses either of the above, Bank of Scotland plc trading as Birmingham Midshires should pay an additional £100 in compensation. If Mr B notifies it within two weeks of the date of my final decision that he wants this payment to be applied to his mortgage, Bank of Scotland plc trading as Birmingham Midshires must use this money to reduce Mr B’s debt to it.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 30 September 2025.

Esther Absalom-Gough
Ombudsman